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Department of the Treasury
Washington, DC 20224

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December 04, 2007

Taxpayer =

Parent =

Sub1 =

Sub2 =

Sub3 =

State A =

Business A =

Business B =

Business C =

Business D =

a =

b =

c =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Year 1 =

Dear :

This letter responds to your August 15, 2007, letter requesting rulings as to the federal income tax consequences of the Proposed Transactions (defined below). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is a nonstock, not-for-profit support organization described in § 501(c)(3) and § 509(a)(3) of the Internal Revenue Code of 1986 (the "Code"). Parent is a tax-exempt holding corporation organized under the laws of State A that has governing control of several healthcare-related entities which provide medical facilities and operations in State A. Although each of the healthcare-related entities under Parent's control has its own management group that oversees day-to-day operations and its own

board of directors, Parent has the ability to appoint and remove directors of each of the entities.

Parent is the sole voting member of Sub1, a nonstock, not-for-profit State A hospital under § 501(c)(3). Sub 1 is engaged in Business A. Parent and Sub1 each own interests in other not-for-profit and for-profit entities which are not directly relevant to the transactions subject to this letter ruling.

Sub1 owns all of the stock of Taxpayer, a for-profit State A corporation. Taxpayer is engaged in Business B.

Parent owns all of the stock of Sub2, a for-profit State A corporation. Sub2 is engaged in Business C.

Sub2 owns a percent of the stock of Sub3, a for-profit State A corporation. The remaining shares of Sub3 are owned by a shareholder unrelated to Parent or any of the healthcare-related entities under Parent's control. Sub3 is engaged in Business D. Sub2 and Sub3 are members of an affiliated group of corporations that join in the filing of a consolidated income tax return.

Parent, Taxpayer, Sub1, Sub2 and Sub3 each have taxable years ending on Date 1.

Until Date 2, Taxpayer was a wholly-owned subsidiary of Sub2 and joined in the filing of a consolidated income tax return with the Sub2 group. As a result of transactions that are not covered as part of this letter ruling, Taxpayer left the Sub2 group effective as of Date 3. Taxpayer incurred \$b of net operating losses ("NOLs") during the taxable years in which it was a member of the Sub2 consolidated group, none of which were used by Taxpayer or the Sub2 group as of Date 3. Taxpayer then incurred approximately \$c of NOL carryovers during the taxable years beginning on and after Date 3 in which it was not a member of any group. Taxpayer is therefore a "loss corporation" within the meaning of § 382(k)(1).

Proposed Transactions

For what are represented to be valid business reasons, during the taxable year beginning on Date 4¹, Parent, Taxpayer, Sub1 and Sub2 plan to undertake the following transactions (the "Proposed Transactions"):

(i) Sub1 will distribute to Parent (its sole shareholder), all of the stock of Taxpayer (the "Distribution"). Sub1 will receive no consideration with respect to its distribution of the Taxpayer stock.

¹ Date 4 is more than five years after Date 3.

(ii) Parent will contribute all of the stock of Taxpayer to Sub2 (the "Contribution").

(iii) After the Distribution and Contribution, but not necessarily during the taxable year beginning on Date 4, Taxpayer will merge into and with Sub2 (the "Taxpayer Merger").

Representations

The following representations have been made regarding the Proposed Transactions:

(a) Parent has no plan or intention to alter the ownership of the stock of any stock corporation or alter the membership of any other entity within the Parent organization.

(b) Parent has no intention to convert any entity from tax-exempt to for-profit status for federal income tax purposes, or vice versa. Parent has no intention to convert any entity from stock to nonstock status for state law purposes, or vice versa.

(c) To the best knowledge and belief of Parent, Taxpayer, Sub1 and Sub2, the Distribution together with the Contribution, and the Taxpayer Merger will qualify as a reorganization described in §§ 368(a)(1)(A) and (a)(1)(D).

(d) At all times during the three-year period ending on the day of the Distribution, Sub1 will have owned, legally and beneficially, all of the issued and outstanding stock of Taxpayer and there will have been outstanding no other equity interests in Taxpayer. In addition, during the three-year period ending on the day of the Distribution, Parent will have been the sole voting member of Sub1.

Rulings

With regard to the Proposed Transactions and based solely on the information submitted and the representations set forth above, we rule that Taxpayer will have neither an owner shift nor an ownership change within the meaning of § 382(g) as a result of the Distribution, the Contribution, or the Taxpayer Merger.

Caveats

We express no opinion on the tax effect of the Proposed Transactions under any other provision of the Code or Regulations, or the tax effect of any condition existing at the time of, or effect resulting from, the Proposed Transactions that is not specifically covered by the rulings set forth above. In particular, no opinion is given (and none has been requested) regarding the following:

(i) The federal income tax treatment of any transactions occurring prior to, concurrent with, or after the Proposed Transactions;

(ii) The qualification of any aspect of the transaction(s) as a reorganization under § 368; and,

(iii) The application of § 384, or the application of any regulations issued under § 1502 that may limit the use of Taxpayer's preacquisition losses.

Procedural Statements

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the Proposed Transactions covered by this ruling letter are completed.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)